

BANK INDONESIA REGULATION

NUMBER : 9/3/PBI/2007

CONCERNING

GOVERNMENT SECURITIES AUCTION AND ADMINISTRATION

THE GOVERNOR OF BANK INDONESIA,

- Considering :
- a. whereas Bank Indonesia has been designated by the Government to be the agent conducting Government Securities auction in primary market;
 - b. whereas Primary Dealer designated by the Minister of Finance of the Republic of Indonesia obtains exclusive right to participate in Government Securities auction in primary market and Government Bond buyback auction;
 - c. whereas the Government has amended implementation provisions concerning Government Securities auction in primary market and Government Bond buyback auction;
 - d. whereas based on the considerations as referred to in letter a, letter b, and letter c, it is necessary to enact Bank Indonesia Regulation concerning Government Securities Auction and Administration;

- In view of :
- 1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992,

Supplement to the State Gazette of the Republic Indonesia Number 3472) as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Act Number 8 of 1995 concerning Capital Market (State Gazette of the Republic Indonesia Number 64 of 1995, Supplement to the State Gazette of the Republic Indonesia Number 3608);
3. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);
4. Act Number 24 of 2002 concerning Government Securities (State Gazette of the Republic Indonesia Number 110 of 2002, Supplement to the State Gazette of the Republic Indonesia Number 4236);

HAS DECREED

To enact : BANK INDONESIA REGULATION CONCERNING
GOVERNMENT SECURITIES AUCTION AND
ADMINISTRATION

CHAPTER I ...

CHAPTER I

GENERAL PROVISIONS

Article 1

Terminologies in this Regulation are defined as follows.

1. Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, conducting business on conventional basis.
2. Stock Company is a company conducting business as an underwriter, stockbroker, and/or investment manager.
3. Government Securities is a securities in the form of promissory note as referred to in Act Number 24 of 2002 concerning Government Securities, comprising Treasury Bills and Government Bond.
4. Treasury Bills is a Government Securities with a maturity of up to 12 (twelve) months and interest payment by discount.
5. Government Bond is a Government Securities with a maturity of more than 12 (twelve) months with coupon and/or with interest payment by discount.
6. Primary Market is a Government Securities offering and selling for the first issuance.
7. Secondary Market is a trade of Government Securities which have been sold in Primary Market.
8. Primary Dealer is a financial institution (Bank and Securities Company) designated by the Minister of Finance of the Republic of Indonesia to perform certain duties either in Government Securities Primary Market or Secondary Market in Rupiah currency with specific rights.
9. Auction Participant is a Primary Dealer designated by the Minister of Finance of the Republic of Indonesia to participate in Government

Securities auction and is not being imposed a sanction for not participating in Government Securities auction.

10. Yield to Maturity or Yield is a yield rate expected by investor in percentage per annum.
11. Competitive Bidding is a bidding by stating the volume and Yield.
12. Non-competitive Bidding is a bidding by stating the volume without Yield.
13. Government Securities Auction is a selling of Government Securities participated by Auction Participants and Bank Indonesia or only by Auction Participants by Competitive Bidding and/or Non-competitive Bidding in a bidding period to be set and announced in advance.
14. Government Bond Buyback Auction is a buyback program of Government Bonds by the Government in Secondary Markets prior to maturity in cash and/or by debt switching in a bidding period to be set and announced in advance.
15. Government Securities Lending Facility is a facility provided by the Minister of Finance of the Republic of Indonesia for Primary Dealer to lend Government Securities in accordance with procedures as stipulated in applicable Minister of Finance Regulation.
16. Central Registry is Bank Indonesia, which performs functions as the administrator of securities including Government Securities for Bank, Sub-Registry, and other parties approved by Bank Indonesia.
17. Sub-Registry is a Bank or an institution conducting custodian activities, approved by Bank Indonesia to perform functions as the administrator of securities including Government Securities for customers.
18. Bank Indonesia – Scripless Securities Settlement System, hereinafter referred to as BI-SSSS, is a system that provides transaction facilities with Bank Indonesia including its administration and electronic securities

administration ...

administration, directly interconnected between BI-SSSS participants, BI-SSSS operator, and Bank Indonesia - Real Time Gross Settlement (BI-RTGS) System.

19. Delivery Versus Payment, hereinafter referred to as DVP, is a settlement of Government Securities by securities settlement through BI-SSSS conducted simultaneously with fund settlement at Bank Indonesia through BI-RTGS System.
20. Free of Payment, hereinafter referred to as FoP, is a Government Securities transaction settlement by securities settlement through BI-SSSS, while fund settlement shall not be conducted simultaneously with securities settlement or with no fund settlement.

CHAPTER II

BANK INDONESIA FUNCTION IN GOVERNMENT SECURITIES AUCTION AND ADMINISTRATION

Article 2

To assist the Government in managing Government Securities, Bank Indonesia shall perform as follows :

- a. to give suggestions for the stipulation of provisions and requirements for the issuance of Government Securities;
- b. to act as the auction agent in the selling of Government Securities in Primary Market, including but not limited to announcing Government Securities Auction plan, conducting Government Securities Auction, submitting Government Securities Auction bidding results, and announcing Government Securities Auction results;
- c. to administer Government Securities.

CHAPTER III

GOVERNMENT SECURITIES CHARACTERISTICS

Article 3

Government Securities administered by Bank Indonesia as referred to in Article 2 letter c shall contain characteristics as follows :

- a. Treasury Bills :
 1. issued in the form of paper or paperless (scripless);
 2. issued in the form of tradable or non-tradable in Secondary Markets;
 3. issued with a maturity of up to 12 (twelve) months and interest payment by discount.
- b. Government Bond :
 1. issued in the form of paper or scripless;
 2. issued in the form of tradable or non-tradable in Secondary Markets;
 3. issued with a maturity of more than 12 (twelve) months with variable rate coupon, fixed rate coupon, and/or interest payment by discount.

CHAPTER IV

GOVERNMENT SECURITIES AUCTION IN PRIMARY MARKET

Article 4

- (1) Individuals or organized group of individuals and/or properties either incorporated as a legal entity or no legal entity or Bank Indonesia may buy Government Securities in Primary Market.
- (2) The purchase of Government Securities in the Primary Market as referred to in paragraph (1) other than by Bank Indonesia shall be executed by submitting bids through Auction Participant to Bank Indonesia as the auction agent.

(3) In Government ...

- (3) In Government Securities Auction in Primary Market, Auction Participants shall submit bids for and on their behalf and/or on behalf of other party.

Article 5

- (1) Bank Indonesia may buy Government Securities in Primary Market only for Treasury Bills.
- (2) The buying of Treasury Bills in the Primary Market by Bank Indonesia as referred to in paragraph (1) shall meet requirements as follows:-
- a. The bids shall be submitted directly, not through Auction Participant; and
 - b. The buying shall be conducted by Non-competitive Bidding.

Article 6

Bank Indonesia as the auction agent shall conduct Government Securities Auction in Primary Market after receiving notification of the Minister of Finance of the Republic of Indonesia concerning :

- a. Government Securities Auction plan, including date and time of Government Securities Auction, type and maturity of Government Securities, indicative target of Government Securities to be offered, date of issuance, date of settlement, date of maturity, currency, time of announcement on Government Securities Auction results and allocated percentage of Non-competitive Bidding of Government Securities to be offered, and information of Auction Participants;
- b. Decision on Government Securities Auction results covering total quantity of Government Securities Auction, name of winners, nominal amount, and discount rate or Yield;
- c. Rejection on the whole or a part of incoming Government Securities bids during the Government Securities Auction.

Article 7

- (1) Bidding in Government Securities Auction in Primary Market may be executed by Competitive Bidding or by a combination of Competitive Bidding and Non-competitive Bidding.
- (2) If an Auction Participant bids Government Securities either directly or through other Auction Participant for and in own favor, the bidding may only be executed by Competitive Bidding.
- (3) If an Auction Participant bids Government Securities for and on behalf of other party other than Bank Indonesia, the bidding may only be offered by Competitive Bidding.
- (4) If an Auction Participant bids Government Bonds for and in favor of other party, the bidding may be offered by Competitive Bidding and/or Non-competitive Bidding.

Article 8

- (1) Bank Indonesia shall conduct Government Securities Auction in Primary Market in accordance with Government finance and on request of the Minister of Finance of the Republic of Indonesia.
- (2) Bank Indonesia shall conduct Government Securities Auction electronically through BI-SSSS as referred to in applicable Bank Indonesia regulatory provisions.
- (3) Bank Indonesia shall announce Government Securities Auction plan in Primary Market based on notification of the Minister of Finance of the Republic of Indonesia as referred to in Article 6 letter a.
- (4) The Government Securities Auction plan as referred to in paragraph (3) shall be announced through BI-SSSS, Commercial Bank Daily Report, and/or other means stipulated by Bank Indonesia.

Article 9

- (1) Government Securities price for Government Securities Auction winner with Competitive Bidding shall be calculated by multiple price method.
- (2) Government Securities price for Government Securities Auction winner with Non-competitive Bidding shall be based on weighted average price of Government Securities Auction results with Competitive Bidding.

Article 10

- (1) Bank Indonesia shall announce results of Government Securities Auction in Primary Market to Auction Participants based on notification of the Minister of Finance of the Republic of Indonesia as referred to in Article 6 letter b.
- (2) Bank Indonesia shall announce the whole results of Government Securities Auction in Primary Market to Auction Participants and the public on the day of Government Securities Auction comprising at least the quantity of auction and weighted average of discount rate or Yield.
- (3) Bank Indonesia shall announce rejection on the whole or a part of Government Securities bidding based on notification of the Minister of Finance of the Republic of Indonesia as referred to in Article 6 letter c.

CHAPTER V

GOVERNMENT SECURITIES ADMINISTRATION

Article 11

- (1) Bank Indonesia shall administer Government Securities electronically through BI-SSSS as referred to in applicable Bank Indonesia regulatory provisions.

(2) The Government ...

- (2) The Government Securities administration as referred to in paragraph (1) shall cover registration of ownership, clearing and settlement, and as the payment agent of Government Securities interest (coupon) and principal.

Article 12

- (1) Government Securities ownership shall be registered paperless (scripless) and by book entry.
- (2) Government Securities ownership shall be registered by a two tier system comprising :
 - a. Central Registry which register and change ownership of securities including Government Securities for Bank, Sub-Registry, and other parties approved by Bank Indonesia; and
 - b. Sub-Registry which register and change ownership of securities including Government Securities for customers.
- (3) The register of Government Securities ownership at the Central Registry and the Sub-Registry constitutes a valid evidence of ownership.

Article 13

- (1) The settlement of Treasury Bills transaction in Primary Market shall be executed on 1 (one) following working day after the day of Treasury Bills Auction (T+1).
- (2) The settlement of Treasury Bills transaction in Primary Market shall be executed no later than 5 (five) following working days after the announcement of Government Bond Auction winners (T+5).
- (3) The settlement of Government Bond Buyback Auction shall be executed on 3 (three) following working days after the day of Government Bond Buyback Auction (T+3).

(4) The settlement ...

- (4) The settlement of Government Securities transaction either in Primary Market or Secondary Markets shall be based on DVP or FoP principles.
- (5) The settlement of Government Securities transaction by DVP shall be based on a gross to gross settlement system or a combination of gross to gross and gross to net settlements.

Article 14

- (1) Bank Indonesia shall execute the settlement of Government Securities Lending Facilities provided by the Minister of Finance of the Republic of Indonesia to Primary Dealer.
- (2) The settlement of Government Securities Lending Facility as referred to in paragraph (1) shall be executed on 2 (two) following working days after the Primary Dealer's application has been approved by the Minister of Finance of the Republic of Indonesia (T+2).
- (3) The settlement of reversal of the Government Securities Lending Facility as referred to in paragraph (2) shall be executed at the end of lending term.

Article 15

- (1) In the settlement of Government Securities Auction results in Primary Market, Bank Indonesia shall have the authority to :
 - a. debit the Rupiah demand deposit account of Bank and/or the paying Bank at Bank Indonesia for purchasing of Government Securities either for and on their behalf or for and on behalf of other party;
 - b. debit the Government Securities account of the Government for settlement of Government Securities selling.
- (2) In the settlement of Government Bond Buyback Auction results, Bank Indonesia shall have the authority to :
 - a. debit the securities account of account holder at the Central Registry which sells the Government Securities either for and on their behalf or

for and ...

- for and on behalf of customers, and/or rupiah demand deposit account of Bank or the paying Bank in payment of cash difference;
- b. debit the Government Securities account of the Government for destination bond settlement and/or debit rupiah demand deposit account of the Government at Bank Indonesia for Government Securities settlement in cash or payment of cash difference.
- (3) In the settlement of Government Securities Lending Facilities, Bank Indonesia shall have the authority to :
- a. debit the securities account of Primary Dealer holding account at Central Registry or Sub-Registry in favor of Primary Dealer borrowing Government Securities;
 - b. debit the Government Securities account of the Government providing Government Securities Lending Facilities.
- (4) In charging Government Securities Lending Facility as referred to in paragraph (3), Bank Indonesia may debit Rupiah demand deposit account of Bank and/or the paying Bank at Bank Indonesia.

Article 16

- (1) Auction Participant winning Government Securities Auction shall be required to guarantee the sufficiency of funds in Rupiah demand deposit account of Bank and/or the designated paying Bank up to the deadline of fund settlement as stipulated by Bank Indonesia.
- (2) If the Auction Participant as referred to in paragraph (1) fails to settle the whole liabilities up to the deadline of settlement or the balance of rupiah demand deposit of Bank and/or the designated paying Bank at Bank Indonesia is insufficient for settlement, the whole Government Securities Auction results to be settled through the Bank shall be cancelled.

Article 17

- (1) The Auction Participant winning Government Bond Buyback Auction shall be required to guarantee the sufficiency of Government Bond value up to the deadline of securities settlement as stipulated by Bank Indonesia.
- (2) If the Auction Participant winning the Government Bond Buyback Auction fails to provide Government Bond up to the deadline of securities settlement, the Auction Participant shall be required to settle the failed transaction no later than 2 (two) working days after the date of initial settlement.
- (3) If the Auction Participant winning the Government Bond Buyback Auction fails to settle transaction within 2 (two) working days as referred to in paragraph (2), the transaction concerned shall be cancelled.

Article 18

- (1) Primary Dealer approved by the Minister of Finance of the Republic of Indonesia to obtain Government Securities Lending Facilities shall be required to guarantee the sufficiency of value of the Government Securities as collateral.
- (2) The Primary Dealer obtaining Government Securities Lending Facilities as referred to in paragraph (1) shall be required to pay a borrowing fee to the Government.
- (3) The Primary Dealer obtaining Government Securities Lending Facilities as referred to in paragraph (1) shall be required to reverse the borrowed Government Securities at the due of lending period.
- (4) If the Primary Dealer fails to reverse the borrowed Government Securities as referred to in paragraph (3), Bank Indonesia shall settle the execution of Government Securities as collateral based on request of the Minister of

Finance of the Republic of Indonesia, c.q. Director-General of Debt Management.

Article 19

- (1) Bank Indonesia shall pay the interest (coupon) and the principal of Government Securities amounting to nominal value on maturity borne by the Government.
- (2) On request of the Government, Bank Indonesia shall pay the principal of Government Securities prior to the date of maturity borne by the Government.
- (3) The payment of Government Securities principal and interest (coupon) shall be settled by Bank Indonesia based on ownership position of Government Securities as registered at Central Registry.
- (4) In the payment of Government Securities interest (coupon) and principal Bank Indonesia shall have the authority to :
 - a. debit Rupiah demand deposit account of the Government at Bank Indonesia for the payment of Government Securities interest (coupon) and/or principal ;
 - b. debit the securities account of account holder at Central Registry for Government Securities which have been declared fully paid by the Government.

Article 20

- (1) Bank Indonesia may cooperate with other party in the administration of Government Securities as referred to in Article 11.
- (2) Bank Indonesia shall directly and/or indirectly supervise other party as referred to in paragraph (1).

CHAPTER VI

CHARGE

Article 21

Bank Indonesia shall charge on :

- a. Government Securities Auction operation to Auction Participants; and
- b. Government Securities administration fee to any Government Securities account holder at Central Registry.

CHAPTER VII

REPORTING

Article 22

Bank Indonesia shall report Government Securities administration activities periodically to the Minister of Finance of the Republic of Indonesia.

CHAPTER VIII

SANCTIONS

Article 23

Participants of Government Securities Auction in Primary Market and Government Bond Buyback Auction whose transactions are cancelled as referred to in Article 16 paragraph (2) and Article 17 paragraph (3) shall be liable to sanction as stipulated in applicable Minister of Finance Regulation.

CHAPTER IX

CONCLUDING PROVISIONS

Article 24 ...

Article 24

Implementation provisions of this Bank Indonesia Regulation shall be further stipulated in Bank Indonesia Circular Letter.

Article 25

By the enactment of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 7/19/PBI/2005 dated July 25, 2005 concerning Issuance, Sale and Purchase, and Administration of Government Securities shall be revoked and declared no longer valid.

Article 26

This Bank Indonesia Regulation shall come into force on the date of its enactment.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

Dated March 16, 2007

On behalf of

THE GOVERNOR OF BANK INDONESIA,

MIRANDA S. GOELTOM

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 45 OF
2007

DPM

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER : 9/3/PBI/2007
CONCERNING
GOVERNMENT SECURITIES AUCTION AND ADMINISTRATION

GENERAL REVIEW

To finance State Budget deficits, to cover cash shortage in short term due to imbalances between revenue and expenditure cash flows in the Government Treasury Account in one fiscal year, and/or to manage state debt portfolio the Government has issued Government Securities domestically. In order to support sustainability of the issuance of Government Securities the Government deems necessary to apply a Primary Dealer system which shall perform functions to accelerate the absorption of Government Securities issued in Primary Market and to encourage the development of Government Securities in secondary markets as well.

In relation to the issuance of Government Securities, referring to Act Number 24 of 2002 concerning Government Securities, the Government designated Bank Indonesia as the auction agent which may conduct sale of Government Securities in the Primary Market and administration of Government Securities including registration of ownership, clearing and settlement, and as the payment agent of Government Securities interest (coupon) and principal.

For an efficient and effective implementation of Bank Indonesia's duties

relating ...

relating to the Government Securities Auction in the Primary Market and Government Securities administration, Bank Indonesia applies the Bank Indonesia - Scripless Securities Settlement System.

ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Letter a

This suggestion is intended to attain a harmony between fiscal policy including debt management and monetary policy implemented by Bank Indonesia.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Article 3

Letter a

Self-explanatory.

Letter b

Number 1

Self-explanatory.

Number 2

Self-explanatory.

Number 3

Government Bond with interest payment by discount (zero coupon bond) is defined as Government Securities with a

maturity ...

maturity of more than 12 (twelve) months and interest payment implicitly reflected in the difference between price at issuance and nominal value received at maturity.

Article 4

Self-explanatory.

Article 5

Self-explanatory.

Article 6

Self-explanatory.

Article 7

Self-explanatory.

Article 8

Paragraph (1)

Government finance as referred to in this paragraph shall be announced in a calendar of issuance by the Minister of Finance of the Republic of Indonesia.

The calendar of issuance is an issuance plan of Government Securities in a specific period.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 9

Paragraph (1)

Multiple price is defined as a price paid by each Government Securities Auction winner in accordance with bidding price.

Paragraph (2)

Weighted average price is defined as a price calculated from the sum of multiplication of each volume and bidding price of won Government Securities divided by the total volume of sold Government Securities.

Article 10

Self-explanatory.

Article 11

Paragraph (1)

Self-explanatory.

Paragraph (2)

The settlement of Government Securities transaction is defined as a settlement which comprises securities and/or fund settlements.

Article 12

Paragraph (1)

Book entry is defined as a registration of ownership and transfer of ownership without paper (scripless) in an electronic journal.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Article 13

Paragraph (1)

Self-explanatory.

Paragraph (2)

Self-explanatory ...

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

The settlement of Securities transaction by FoP in Primary Market and in Secondary Market shall only be executed for a transfer of Government Securities ownership in relation to grant, inheritance, liability settlement from and to Bank Indonesia or the Government, and/or other purposes.

Paragraph (5)

Gross to gross settlement is defined as a settlement of Government Securities where securities and funds are settled based on trade by trade.

Gross to net settlement is defined as a settlement of Government Securities where securities are settled based on trade by trade while funds based on netting system.

Article 14

Self-explanatory.

Article 15

Self-explanatory.

Article 16

Self-explanatory.

Article 17

Self-explanatory.

Article 18

Self-explanatory.

Article 19

Paragraph (1) ...

Paragraph (1)

Bank Indonesia shall only pay interest (coupon) and principal of matured Government Securities as far as funds in the Government Rupiah demand deposit account at Bank Indonesia are sufficient.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 20

Self-explanatory.

Article 21

The charge includes, among others, fee for the usage of BI-SSSS system and for the administration of Government Securities.

Article 22

Reporting shall include, among others, the outstanding of issued Government Securities, the ownership of Government Securities, the paid coupon or discount, and data of Government Securities trading transactions.

Article 23

Self-explanatory.

Article 24

Fundamental provisions to be stipulated in Bank Indonesia Circular Letter shall include, among others, procedures of Government Securities Auction in Primary Market and requirements for Sub-Registry in Government Securities administration.

Article 25 ...

Article 25

Self-explanatory.

Article 26

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF
INDONESIA NUMBER 4710

DPM